

**ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF LE MARS, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

Prepared by the  
Finance Department  
Bill Cole, Finance Director

**CITY OF LE MARS, IOWA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2010  
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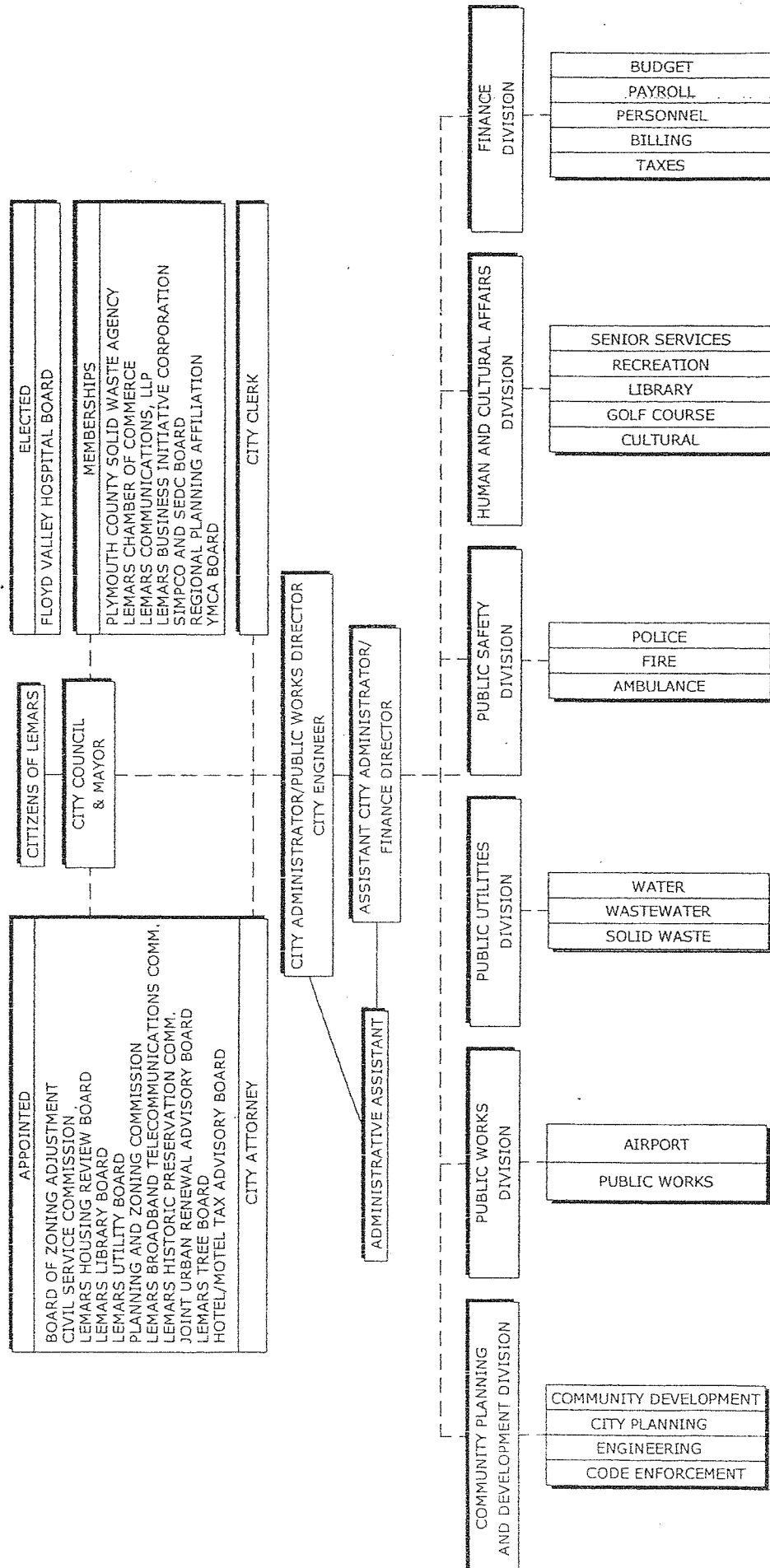
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**APPENDIX B**  
**CITY OF LEMARS, IOWA**  
**ORGANIZATIONAL CHART**



CITY OF LE MARS  
List of Principal Officials  
June 30, 2010

Title	Name
Mayor .....	Dick Kirchoff
Council Member and Mayor Pro-Tem .....	Rex Knapp
Council Member.....	John Leonard
Council Member.....	Delana Ihrke
Council Member.....	Kenneth Nelson
Council Member.....	John Rexwinkel
City Clerk/Treasurer .....	Beverly Langel
City Attorney .....	Joseph Flannery
City Administrator/Public Works Director/City Engineer.....	Scott Langel
Assistant City Administrator/Finance Director .....	Bill Cole
Code Enforcement Officer .....	Jason Vacura
Chief of Police.....	Stuart Dekkenga
Fire Chief .....	Wayne Schipper
Wastewater Superintendent .....	Ron Kayser
Assistant Wastewater Superintendent .....	William Morgan
Water Superintendent.....	Gayle Sitzmann
Water Treatment Plant Operator .....	Jim Conley
Ambulance Director .....	Bill Rosacker
Golf Course Manager .....	Doug Schultz
Library Director .....	Susan Kroesche
Airport Manager .....	Earl Draayer
Public Works Superintendent .....	Steve Hansen
Assistant Public Works Superintendent .....	Brad Eppling



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Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council  
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$27,151,982 as of June 30, 2010, and total operating revenues of \$29,325,898 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements, and supplementary statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 7, 2011

## Management Discussion and Analysis

June 30, 2010

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2010. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

### Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2010, by \$45,899,230. Of this amount, \$4,960,121 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$3,845,398 during the year. Of this amount, the assets of our Governmental Activities increased \$2,669,874 and the assets of our Business Activities increased \$1,175,524.
- The largest factor in the increase in net assets was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2010, that excess was \$2,007,940.

The City's General Obligation debt decreased by \$417,000 during FY'10, making the General Obligation debt \$12,072,000 at year end. This decrease is the result of the annual amortization of the City debt and the fact that City issued \$2,095,000 of General Obligation bonds for crossover advance refunding. The City Revenue Bond debt decreased by \$768,000 during FY '10, making the Revenue Bond debt \$12,511,000 at year end. This decrease is a result of the annual amortization of the debt and the fact that the City issued no new Revenue Bond debt in FY '10.

## OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is



improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net assets for the years ended June 30, 2010 and 2009.

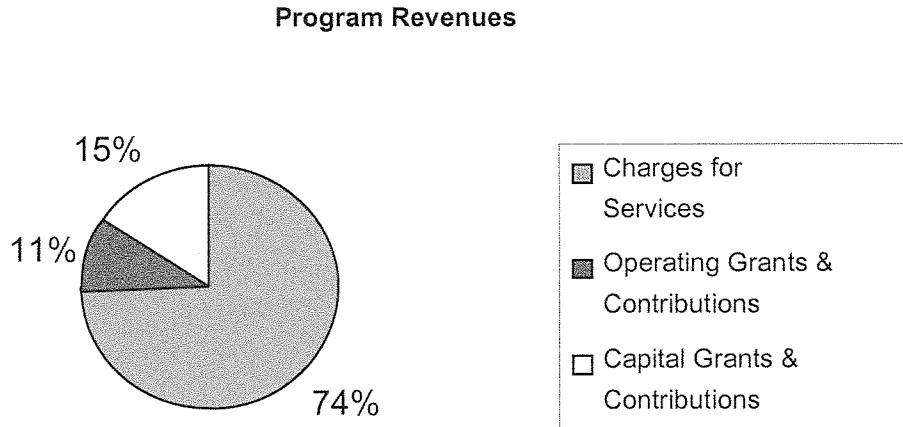
	General Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 11,412,693	\$ 13,141,771	\$ 7,448,114	\$ 4,514,834	\$ 18,860,807	\$ 17,656,605
Capital Assets	29,529,937	27,400,685	32,494,782	33,373,708	62,024,719	60,774,393
Total Assets	40,942,630	40,542,456	39,942,896	37,888,542	80,885,526	78,430,998
Long-Term Liabilities						
Outstanding	10,192,065	11,914,440	15,720,372	14,864,823	25,912,437	26,779,263
Other Liabilities	8,853,950	9,401,275	219,909	196,628	9,073,859	9,597,903
Total Liabilities	19,046,015	21,315,715	15,940,281	15,061,451	34,986,296	36,377,166
Net Assets:						
Invested in Capital Assets, Net of Related Debt	21,898,509	17,690,685	18,552,613	18,664,708	40,451,122	36,355,393
Restricted	441,323	2,131,011	46,664	-	487,987	2,131,011
Unrestricted	(443,217)	(594,955)	5,403,338	4,162,383	4,960,121	3,567,428
Total Net Assets	\$ 21,896,615	\$ 19,226,741	\$24,002,615	\$ 22,827,091	\$ 45,899,230	\$ 42,053,832

This summary reflects an increase of total net assets of 13.89% for the governmental activities and an increase of 5.15% in the business-type activities.

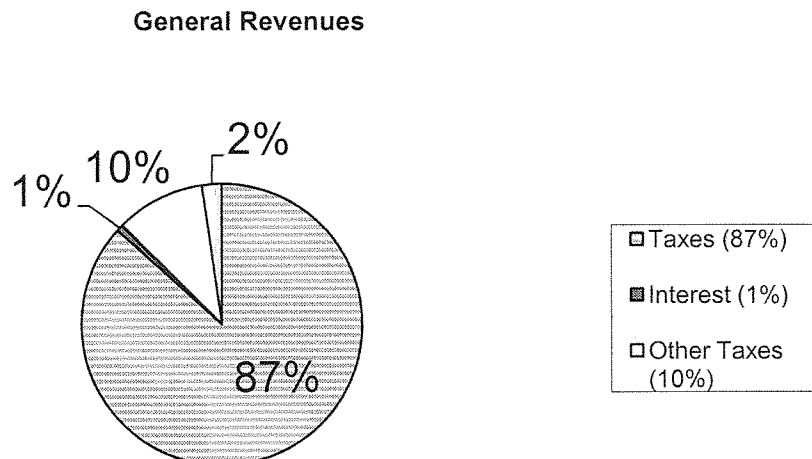
Total revenue reported in Fiscal 2010 was \$18,270,481. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2010 and 2009:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Program Revenues:</b>						
Charges for Services	\$ 1,528,883	\$ 1,860,590	\$ 5,043,555	\$ 4,910,518	\$ 6,572,438	\$ 6,771,108
Operating Grants and Contributions	945,420	818,537	-	-	945,420	818,537
Capital Grants and Contributions	1,381,095	430,106	-	20,000	1,381,095	450,106
Total Program Revenues	3,855,398	3,109,233	5,043,555	4,930,518	8,898,953	8,039,751
<b>General Revenues &amp; Interfund Transfers:</b>						
Property Taxes	8,119,355	7,641,326	-	-	8,119,355	7,641,326
Local Option Sales Tax	856,683	906,350	-	-	856,683	906,350
Hotel/Motel Taxes	107,983	113,634	-	-	107,983	113,634
Interest	54,481	83,302	17,838	11,498	72,319	94,800
Revenue from Use of Property	-	-	-	88,908	-	88,908
Sale of Non-capitalized Assets	10,028	57,112	416	-	10,444	57,112
Miscellaneous	167,030	209,777	37,714	18,851	204,744	228,628
Total General Revenues	9,315,560	9,011,501	55,968	119,257	9,371,528	9,130,758
Interfund Transfers	(1,452,417)	(2,732,424)	1,452,417	2,732,424	-	-
Total Revenues & Interfund Transfers	\$ 11,718,541	\$ 9,388,310	\$ 6,551,940	\$ 7,782,199	\$ 18,270,481	\$ 17,170,509

Program revenues totaled \$8,898,953 for fiscal year 2010. Governmental Activities provided \$3,855,398 and Business-Type Activities provided \$5,043,555. Revenue collected for Charges for Services during fiscal year 2010 was \$6,572,438, accounting for 74% of the total program revenues. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2010 totaled \$9,371,528. Governmental Activities provided \$9,315,560 and Business-Type Activities provided \$55,968. Property Tax Revenues for fiscal year 2010 totaled \$8,119,355, accounting for 87% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for Fiscal 2010 totaled \$14,401,697. Expenses for General Governmental Activities totaled \$9,025,281, accounting for 63% of total expenses. Business-Type Activity expenses totaled \$5,376,416, for 37% of the total.

The following table shows total expenditures by Function/Program for FY 2010 and FY 2009:

Program Level	General Governmental Activities		Business-Type		Totals	
	2010	2009	2010	2009	2010	2009
Public Safety	\$1,966,712	\$2,171,863	\$ -	\$ -	\$1,966,712	\$2,171,863
Public Works	2,778,672	2,311,816	-	-	2,778,672	2,311,816
Culture and Recreation	1,573,152	1,698,095	-	-	1,573,152	1,698,095
Community and Economic Development	1,126,616	867,201	-	-	1,126,616	867,201
General Government	1,116,448	2,060,713	-	-	1,116,448	2,060,713
Debt Service	463,681	514,635	-	-	463,681	514,635
Sewer System	-	-	2,513,827	2,535,519	2,513,827	2,535,519
Water System	-	-	1,835,681	1,795,038	1,835,681	1,795,038
Solid Waste	-	-	547,378	540,037	547,378	540,037
Golf Course	-	-	452,865	407,326	452,865	407,326
Storm	-	-	26,665	6,050	26,665	6,050
Total Expenditures	\$9,025,281	\$9,624,323	\$5,376,416	\$5,283,970	\$14,401,697	\$14,908,293

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and principal of outstanding debt
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the waste water treatment plant
Water System	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Golf Course	Operation of Golf Course

## Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$1,966,712 and received \$531,921 in revenue, thus leaving a cost to the taxpayer of \$1,434,791 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$9,025,281. Of these costs, \$1,528,883 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$2,326,515, leaving a Net Expense of \$5,169,883 for Governmental Activities. These expenses of \$5,169,883 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2010	2009
<b>Governmental Activities:</b>		
Public Safety	\$(1,434,791)	\$(1,648,305)
Public Works	(347,014)	(1,279,413)
Culture and Recreation	(864,064)	(904,029)
Community and Economic Development	(1,074,695)	(808,799)
General Government	(985,638)	(1,359,909)
Debt Service	(463,681)	(514,635)
<b>Total Net (Expense)</b>		
<b>Governmental Activities</b>	(5,169,883)	(6,515,090)
General Revenues	9,315,560	9,011,501
<b>Excess of revenues over expenditures</b>	4,145,677	2,496,411
Interfund Transfers	(1,452,417)	(2,732,424)
Prior Period Adjustment	(23,386)	-
<b>Change in Net Assets</b>	<b>\$2,669,874</b>	<b>\$ (236,013)</b>

Total resources available during the year to finance governmental operations were \$30,921,896, consisting of Net Assets at July 1, 2009 of \$19,226,741, Program Revenues of \$3,855,398 and General Revenues of \$9,315,560, interfund transfers of \$(1,452,417) and a prior period adjustment of \$(23,386). Total Governmental Activities during the year expended \$9,025,281; thus, Net Assets were increased by \$2,669,874 to \$21,896,615 at June 30, 2010.

## Business Type Activities

Business Type Activities increased the City's net assets by \$1,175,524.

The cost of all Proprietary Activities this year was \$5,376,416. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,043,555. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$0. This resulted in total Net Expense for Business Type Activities of \$332,861. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2010	2009
<b>Governmental Activities:</b>		
Sewer System	\$ (180,874)	\$ (287,691)
Water System	(219,375)	(206,378)
Solid Waste	75,196	149,566
Golf Course	(76,928)	(97,668)
Storm Sewer	69,120	88,719
<b>Total Net Revenue</b>		
<b>Business Type Activities</b>	(332,861)	(353,452)
General Revenues	55,968	119,257
<b>(Deficiency) of revenues over expenses</b>	(276,893)	(234,195)
Interfund Transfers	1,452,417	2,732,424
<b>Change in Net Assets</b>	<b>\$ 1,175,524</b>	<b>\$ 2,498,229</b>

Total resources available during the year to finance Proprietary Fund activities were \$29,379,031, consisting of Net Assets at July 1, 2009 of \$22,827,091, Program Revenues of \$5,043,555, General Revenues of \$55,968 and interfund transfers of \$1,452,417. Total Proprietary Fund Activities during the year expended \$5,376,416; thus Net Assets were increased by \$24,002,615.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,385,119. The combined Governmental Funds fund balance decreased \$1,168,642 from the prior year.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was \$270,350. The fund balance of \$2,100,893 represents 128 days of coverage.

## BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Expenditures	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,201,513	\$ 2,141,188	\$ 60,325
Public Works	965,265	926,024	39,241
Culture and Recreation	1,747,178	1,513,026	234,152
Community and Economic Development	643,599	562,377	72,222
General Government	1,120,046	1,026,095	93,951
Debt Service	2,800,187	2,800,185	2
Capital Projects	5,453,432	5,141,410	312,022
Business Type/Enterprise	37,869,087	32,715,965	5,153,122
	<u>\$ 52,791,307</u>	<u>\$ 46,826,270</u>	<u>\$ 5,965,037</u>

Budget results were all favorable in the current year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the capital projects and business-type functions. These both were due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them.

## CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2010, was \$40,451,122 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2010 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 34,350	\$ -	\$ -	\$ -	\$ 34,350	\$ -
Infrastructure	4,057,026	1,414,716	-	-	4,057,026	1,414,716
Buildings	-	157,423	-	107,660	-	265,083
Improvements - Other than Buildings	138,599	-	928,397	19,824	1,066,996	19,824
Equipment	715,387	133,968	109,976	69,055	825,354	203,023
Construction in Progress	2,366,892	1,773,494	111,636	326,578	2,478,528	2,100,072
Utility Plant	-	-	-	184,272	-	184,272
Total Gross Additions	<u>\$ 7,312,245</u>	<u>\$3,479,601</u>	<u>\$1,150,009</u>	<u>\$707,389</u>	<u>\$8,462,254</u>	<u>\$4,186,990</u>

Construction in Progress at June 30, 2010 for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2010 consisted of costs associated with the water main extension and storm sewer improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end the City had \$24,673,000 of debt outstanding. This is a decrease of \$1,195,000 from the prior year. This decrease is the result of the normal annual debt amortization netted against June 2010 refunding (see Note 7).

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$32,813,836. With outstanding General Obligation Debt applicable to this limit of \$10,042,000 and Urban Renewal Debt applicable of \$545,000 we are utilizing 33.5% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

Although the national economy continued to remain sluggish during FY 2010, the City of Le Mars held a fairly strong local economy. Several factors contributed to maintaining this condition despite the downturn elsewhere. The primary contributor is the City's strong industrial base and quality of employment base as the direct result thereof. This reciprocates into a vibrant commercial and retail sector and continued growth in residential activity. This section of the M D & A will provide an overall description of each of these.

Industrial growth continued in Le Mars in a number of major ways. FY 2010 was the second full year of Deans Food owning and operating the Milk Plant confirming their presence in Le Mars and began activity to increase the operations. The continued development of Le Mars Industrial Park, Second Addition with infrastructure such as streets, sanitary sewer and railroad spur expansions set the stage for IML Container to build and reinforces the presence of Le Mars Public Storage and Northwest REC in Le Mars. Wells' Dairy, Inc. and BoDeans Baking Company, both operated multiple plants and continue to provide a very stable demand for a variety of services, products and transportation facilities, many of which have located in Le Mars, including, NorAm, Bekins, Cloverleaf, Le Mars Public Storage, Schuster, Decker, BT, Boss and Total Sales.

The City owned Le Mars Industrial Park, South Addition is now home to Anthony Trucking and Pratt Lime, with several other lots available for additional growth. The Le Mars Business Initiative Corporation owned Le Mars Industrial Park, Second Addition also has several lots available for growth, including lots available adjacent to rail.

The Le Mars Business Initiative Corporation owned Killeas Industrial Park has two (2) lots remaining for sale.

Without the availability of industrial tracts for business growth and expansion and including such amenities as proper sewer and water and railroad spur access, the City of Le Mars could not compete for the kinds of industrial growth it has experienced.

Commercial expansions have occurred in a variety of ways. First, the Le Mars Main Street Program working in concert with the Le Mars Area Chamber of Commerce have successfully maintained a nearly full and vibrant downtown. New entities to downtown include Habitude, Le Mars Area Dialysis, Royal III Theater, Wells' Dairy Ice Cream Parlor and others which are completed or in various stages of development and construction. Second, Highway Commercial has evolved with changes in businesses and their locations. Included here are examples of Mr. Movie, Laundromat, Pizza Hut, new Strip Mall and relocation of Bellissimo's. Third, ICON Ag committed to relocating along the bypass at the south interchange and began construction in the second half of 2010. Fourth, several large commercial establishments planned and constructed expansions, i.e. Le Mars Ford and OBI Investment (Truck Wash) or continue to plan, i.e. old Walmart Building; old Corporate Annex Building. Fifth, the Floyd Valley Hospital is currently in master planning and Le Mars Community School is planning a significant building expansion. Sixth, the City fully accomplished several long range projects, as follows:



- 1) Community Betterment Program completed its last component and was inspected by Vision Iowa.
- 2) Post-Wastewater Treatment Plant Construction, Capacity Study and Evaluation is done.
- 3) Full ownership by City of Industrial Rail Spur and a major expansion thereof with Team Track.
- 4) Nine (9) federally assisted roadway projects have proceeded. Five (5) were designed and constructed. Four (4) are under design/development.
- 5) The first of four (4) former Westmar Building removals was accomplished.

Residential expansions were definitely slowed; however, they were still active. Subdivision platting/development was limited to one called Sadona Hills, Phase II, which was constructed during FY 2010. Housing starts reduced significantly from previous highs of forty (40) per year to ten (10) during FY 2010. With many cities reporting no new home starts, Le Mars has much to be proud of with ten (10).

It is evident that the City of Le Mars continues a strong, positive, progressive growth and development pattern even in light of the national situation. Decisions regarding growth, incentives, TIF, assistance, bonding, and relationships with County, School and Hospital have all played a vital role in these accomplishments. Continued planning is under way and is essential to organized growth and development of Le Mars. They include:

- 1) Water Facility Plan (Rate Analysis to follow)
- 2) Wastewater Facility Plan (Rate Analysis to follow)
- 3) Airport Layout Plan
- 4) City Comprehensive Plan
- 5) Community Survey
- 6) Hazard Mitigation Plan
- 7) Joint Land Use Plan

In summary, the City of Le Mars is strong financially due to many, many factors. Economic factors contribute heavily to that success and should not be underscored or taken lightly.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

**CITY OF LE MARS, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental	Business-Type		Floyd Valley
	Activities	Activities	Total	Hospital
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 805,995	\$ 3,823,617	\$ 4,629,612	\$ 2,824,127
Investments	142,667	-	142,667	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	145,120	115,338	260,458	3,300,686
Taxes	50,766	-	50,766	-
Subsequent Year Taxes	7,977,266	-	7,977,266	-
Other	559	-	559	269,757
Estimated Unbilled Usage	-	328,142	328,142	482,200
Special Assessments	355,201	-	355,201	-
Pledges Receivable	647,820	-	647,820	-
Notes Receivable	1,038,377	-	1,038,377	-
Internal Balances	(1,162,859)	1,162,859	-	-
Due from Other Governmental Agencies	450,309	-	450,309	-
Inventories	-	142,319	142,319	409,658
Land Held for Resale	205,571	-	205,571	-
Prepaid Assets	58,803	26,401	85,204	218,130
Other	-	-	-	913,077
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	1,779,490
Investments	416,666	1,666,664	2,083,330	5,048,240
Accrued Interest Receivable	-	-	-	3,183
Bond Issue Costs	112,074	182,774	294,848	-
Investment in Joint Venture	168,358	-	168,358	-
Land	1,264,841	1,308,313	2,573,154	185,160
Construction in Progress	1,327,020	127,592	1,454,612	85,225
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	26,938,076	31,058,877	57,996,953	11,633,049
<b>Total Assets</b>	<b>40,942,630</b>	<b>39,942,896</b>	<b>80,885,526</b>	<b>27,151,982</b>
<b>LIABILITIES</b>				
Accounts Payable	673,923	101,505	775,428	2,115,800
Accrued Wages	90,342	31,656	121,998	960,102
Accrued Interest	23,444	40,878	64,322	40,767
Accrued Expenses	88,975	28,470	117,445	460,010
Unearned Revenue	-	17,400	17,400	-
Deferred Revenue - Subsequent Year Taxes	7,977,266	-	7,977,266	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	65,000	731,000	796,000	327,000
General Obligation Bonds	889,000	1,830,000	2,719,000	-
Notes Payable	70,000	-	70,000	-
Capital Lease	32,409	-	32,409	-
Compensated Absences and Benefits	148,215	31,641	179,856	-
Due in more than one year:				
Revenue Bonds Payable	480,000	11,235,000	11,715,000	4,451,100
General Obligation Bonds	7,689,303	1,711,138	9,400,441	-
Notes Payable	20,000	-	20,000	-
Capital Lease	182,716	55,031	237,747	-
Compensated Absences and Benefits, Long-Term	584,392	126,562	710,954	-
Net OPEB Liability	31,030	-	31,030	-
<b>Total Liabilities</b>	<b>19,046,015</b>	<b>15,940,281</b>	<b>34,986,296</b>	<b>8,354,779</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	21,898,509	18,552,613	40,451,122	7,125,334
Restricted for:				
Specific Revenues	150,626	-	150,626	-
Debt Service	393	46,664	47,057	959,174
TIF	3,025	-	3,025	-
Local Option Sales Tax	121,544	-	121,544	-
Endowments:				
Expendable	24,980	-	24,980	-
Nonexpendable	140,755	-	140,755	-
Unrestricted	(443,217)	5,403,338	4,960,121	10,712,695
<b>Total Net Assets</b>	<b>\$ 21,896,615</b>	<b>\$ 24,002,615</b>	<b>\$ 45,899,230</b>	<b>\$ 18,797,203</b>

**CITY OF LE MARS, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 1,966,712	\$ 371,738	\$ 80,664	\$ 79,519
Public Works	2,778,672	420,889	805,108	1,205,661
Culture and Recreation	1,573,152	648,302	40,670	20,116
Community and Economic Development	1,126,616	-	-	51,921
General Government	1,116,448	87,954	18,978	23,878
Interest Expense	463,681	-	-	-
Total governmental activities	<u>9,025,281</u>	<u>1,528,883</u>	<u>945,420</u>	<u>1,381,095</u>
<b>Business-Type Activities:</b>				
Golf Course	452,865	375,937	-	-
Water System	1,835,681	1,616,306	-	-
Sewer System	2,513,827	2,332,953	-	-
Solid Waste System	547,378	622,574	-	-
Storm Sewer System	26,665	95,785	-	-
Total Business-Type Activities:	<u>5,376,416</u>	<u>5,043,555</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>14,401,697</u>	<u>6,572,438</u>	<u>945,420</u>	<u>1,381,095</u>
<b>Component Unit:</b>				
Floyd Valley Hospital	\$ 28,940,774	\$ 29,325,898	\$ 395	\$ 29,225

General Revenues:  
Property taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Interest  
Refunds and Reimbursements  
Miscellaneous  
Sale of non-capitalized Assets  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net assets - beginning, as restated  
  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,434,791)		\$ (1,434,791)	
(347,014)		(347,014)	
(864,064)		(864,064)	
(1,074,695)		(1,074,695)	
(985,638)		(985,638)	
(463,681)		(463,681)	
<u>(5,169,883)</u>		<u>(5,169,883)</u>	
	\$ (76,928)	(76,928)	
	(219,375)	(219,375)	
	(180,874)	(180,874)	
	75,196	75,196	
	69,120	69,120	
	<u>(332,861)</u>	<u>(332,861)</u>	
<u>(5,169,883)</u>	<u>(332,861)</u>	<u>(5,502,744)</u>	
			\$ 414,744
8,119,355	-	8,119,355	-
856,683	-	856,683	-
107,983	-	107,983	-
54,481	17,838	72,319	171,077
142,666	15,714	158,380	-
24,364	22,000	46,364	-
10,028	416	10,444	-
(1,452,417)	1,452,417	-	-
<u>7,863,143</u>	<u>1,508,385</u>	<u>9,371,528</u>	<u>171,077</u>
2,693,260	1,175,524	3,868,784	585,821
19,226,741	22,827,091	42,053,832	18,211,382
(23,386)	-	(23,386)	-
<u>19,203,355</u>	<u>22,827,091</u>	<u>42,030,446</u>	<u>18,211,382</u>
<u>\$ 21,896,615</u>	<u>\$ 24,002,615</u>	<u>\$ 45,899,230</u>	<u>\$ 18,797,203</u>

**CITY OF LE MARS, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2010**

	General	TIF
<b>Assets</b>		
Cash and Pooled Investments	\$ 210,998	\$ -
Investments	2,416	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	72,150	-
Taxes	34,916	4,630
Subsequent Year Taxes	2,882,851	3,635,780
Other	559	-
Special Assessments	78,000	-
Pledges Receivable	-	-
Notes Receivable	118,000	-
Due from Other Funds	1,945,982	-
Due from Other Governmental Agencies	55,046	-
Land Held for Resale	205,571	-
Prepaid Assets	2,700	-
Restricted Assets:		
Investments	-	-
Total Assets	<u>5,609,189</u>	<u>3,640,410</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	125,159	-
Accrued Wages	90,342	-
Due to Other Funds	294,164	-
Deferred Revenue	114,086	1,605
Deferred Revenue - Subsequent Year Taxes	2,882,851	3,635,780
Compensated Absences & Benefits	1,694	-
Total Liabilities	<u>3,508,296</u>	<u>3,637,385</u>
Fund Balances:		
Reserved for:		
Debt Service	-	-
Assets Held for Resale	205,571	-
Perpetual Care	-	-
Tree Farm	-	-
Long-term Notes Receivable	118,000	-
Prepaid Items	2,700	-
Unreserved Fund Balances:		
General Fund	1,774,622	-
Special Revenue Fund	-	3,025
Capital Projects Fund	-	-
Total Fund Balances (Deficits)	<u>2,100,893</u>	<u>3,025</u>
Total Liabilities and Equity	<u>\$ 5,609,189</u>	<u>\$ 3,640,410</u>

Debt Service	STP FHWA Projects	Community Betterment	Other Governmental Funds	Total Governmental Funds
\$ 8,925	\$ -	\$ -	\$ 343,533	\$ 563,456
-	-	-	140,251	142,667
-	-	-	-	-
-	-	-	8,288	80,438
8,530	-	-	2,690	50,766
960,520	-	-	498,115	7,977,266
-	-	-	-	559
-	-	-	277,201	355,201
-	-	690,380	-	690,380
-	-	-	920,377	1,038,377
-	-	-	294,164	2,240,146
-	51,220	-	344,043	450,309
-	-	-	-	205,571
-	-	-	-	2,700
416,666	-	-	-	416,666
1,394,641	51,220	690,380	2,828,662	14,214,502
-	39,835	-	508,929	673,923
-	-	-	-	90,342
-	354,800	1,162,859	1,591,182	3,403,005
284	-	300,800	266,378	683,153
960,520	-	-	498,115	7,977,266
-	-	-	-	1,694
960,804	394,635	1,463,659	2,864,604	12,829,383
433,837	-	-	-	433,837
-	-	-	-	205,571
-	-	-	140,755	140,755
-	-	-	24,980	24,980
-	-	-	920,377	1,038,377
-	-	-	-	2,700
-	-	-	-	1,774,622
-	-	-	(419,142)	(416,117)
-	(343,415)	(773,279)	(702,912)	(1,819,606)
433,837	(343,415)	(773,279)	(35,942)	1,385,119
\$ 1,394,641	\$ 51,220	\$ 690,380	\$ 2,828,662	\$ 14,214,502

**CITY OF LE MARS, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2010**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 19)	\$	1,385,119	
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds			29,529,937
Investment in Joint Venture is not a financial resource and, therefore, not reported in the funds			168,358
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net assets.			187,216
Deferred revenues that provide current financial resources for governmental activities.			683,153
Estimated uncollectible on pledges receivable extending beyond one year.			(42,560)
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(23,444)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.			112,074
Bond issue premium reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.			(9,488)
Prepaid expenses that are reported in the governmental activities but not reported in the funds as they do not provide current economic resources.			56,103
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General Obligation Bonds	\$	8,568,815	
Revenue Bonds		545,000	
Notes Payable		90,000	
Capital Lease		215,125	
Compensated Absences		730,913	(10,149,853)
Total Net Assets - Governmental Activities (page 15)	\$		<u>21,896,615</u>

**CITY OF LE MARS, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	General	TIF	Debt Service
Revenue:			
Taxes	\$ 2,775,294	\$ 3,529,702	\$ 1,051,534
Other City Taxes	107,983	-	-
Special Assessments	-	-	-
Licenses and Permits	118,529	-	-
Intergovernmental Revenue	172,749	-	-
Charges for Services	739,442	-	-
Fines and Forfeits	36,830	-	-
Contributions	67,197	-	-
Refunds/Reimbursements	79,678	-	-
Rental Income	230,633	-	-
Interest	38,634	5,561	6,823
Miscellaneous	8,500	-	-
Total Revenue	4,375,469	3,535,263	1,058,357
Expenditures:			
Public Safety	1,978,073	-	-
Public Works	1,148,869	-	-
Culture and Recreation	1,531,439	-	-
Community and Economic Development	330,430	60,055	-
General Government	1,006,170	-	-
Capital Outlay	3,435	-	-
Debt Service	-	-	2,811,403
Total Expenditures	5,998,416	60,055	2,811,403
Excess (deficiency) of revenues over expenditures	(1,622,947)	3,475,208	(1,753,046)
Other financing sources (uses):			
Issuance of Debt	-	-	421,815
Premium Paid on Issuance of Debt	-	-	9,588
Issuance of Capital Lease	215,125	-	-
Proceeds from Sale of Assets	10,484	-	-
Transfers In	1,706,688	307,837	785,849
Transfers Out	(39,000)	(3,977,191)	-
Total other financing sources (uses)	1,893,297	(3,669,354)	1,217,252
Net Change in Fund Balance	270,350	(194,146)	(535,794)
Fund balances (deficits)-beginning of year	1,830,543	197,171	969,631
Prior Period Adjustment	-	-	-
Fund balances (deficits)-beginning of year, as restated	1,830,543	197,171	969,631
Fund balances (deficits)- end of year	\$ 2,100,893	\$ 3,025	\$ 433,837



STP FHWA Projects	Community Betterment	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 764,219	\$ 8,120,749
-	-	856,683	964,666
-	-	50,754	50,754
-	-	-	118,529
853,110	-	1,052,865	2,078,724
-	-	1,848	741,290
-	-	-	36,830
-	297,392	2,500	367,089
23,878	-	62,988	166,544
-	-	2,880	233,513
-	-	1,998	53,016
-	-	15,864	24,364
876,988	297,392	2,812,599	12,956,068
-	-	155,454	2,133,527
-	-	50,557	1,199,426
-	-	400	1,531,839
-	-	534,496	924,981
-	-	16,256	1,022,426
1,893,649	1,556	2,386,331	4,284,971
-	-	70,000	2,881,403
1,893,649	1,556	3,213,494	13,978,573
(1,016,661)	295,836	(400,895)	(1,022,505)
-	-	-	421,815
-	-	-	9,588
-	-	-	215,125
-	-	301	10,785
842,357	290,267	1,493,336	5,426,334
-	(454,757)	(1,795,450)	(6,266,398)
842,357	(164,490)	(301,813)	(182,751)
(174,304)	131,346	(702,708)	(1,205,256)
(169,111)	(904,625)	630,152	2,553,761
-	-	36,614	36,614
(169,111)	(904,625)	666,766	2,590,375
\$ (343,415)	\$ (773,279)	\$ (35,942)	\$ 1,385,119

**CITY OF LE MARS, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)		\$ (1,205,256)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 4,144,315	
Depreciation expense	<u>(2,136,375)</u>	2,007,940
Transfer of Fixed Assets from the Enterprise Fund's to the City's Governmental Funds:		2,262
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities:		(5,950)
Revenues from Long Term Pledge Receivables are deferred on the fund level statements until they are available to provide current financial resources, where on the government-wide statements there revenues were recorded in the year pledged. The net change in deferred pledge revenues and allowance for doubtful accounts was:		(268,177)
Investment in Joint Venture does not require current financial resources, therefore, is not reported in the funds. This is the change in the equity investment for the year:		(9,561)
Revenues reported in the funds that are not available to provide current financial resources:		346,574
Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds:		125,000
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:		(168)
Accrued interest expense that does not require current financial resources:		2,432
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:		938
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities:		(71,536)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:		(21,810)
The effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:		(9,488)
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(421,815)
Capital Leases are shown as providing current financial resources to the governmental funds. The statement of activities does not reflect the proceeds from the issuance of a capital lease. The proceeds from the issuance of a capital lease for the year was:		(215,125)
The repayment of the principal of bonded long-term debt as well as long-term notes payable consume the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt or long-term notes payable. The principal paid on these items during the current year was:		<u>2,437,000</u>
Change in net assets of governmental activities (page 17)		<u>\$ 2,693,260</u>

CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF NET ASSETS  
Proprietary Funds  
JUNE 30, 2010

	Business Type Activities	
	Water System	Sewer System
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 923,296	\$ 2,542,730
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	44,932	38,582
Estimated Unbilled Usage	117,262	183,607
Due from Other Funds	1,162,859	-
Inventories	142,319	-
Prepaid Assets	9,075	15,676
Total Current Assets	<u>2,399,743</u>	<u>2,780,595</u>
Noncurrent Assets:		
Restricted Assets:		
Investments	-	1,666,664
Bond Issue Costs	60,528	122,246
Land	174,357	843,418
Construction in Progress	64,171	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>12,257,384</u>	<u>15,155,149</u>
Total Noncurrent Assets	<u>12,556,440</u>	<u>17,787,477</u>
<b>Total Assets</b>	<u>14,956,183</u>	<u>20,568,072</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	23,349	34,269
Accrued Wages	13,967	17,689
Accrued Revenue Bond Interest	14,061	26,817
Accrued Expenses	28,470	-
Unearned Revenue	-	-
Revenue Bonds Payable- Current	371,000	360,000
General Obligation Bonds- Current	-	1,830,000
Compensated Absences and Benefits	20,261	11,380
Total Current Liabilities	<u>471,108</u>	<u>2,280,155</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	5,347,000	5,888,000
General Obligation Bonds	-	1,711,138
Capital Lease		
Compensated Absences and Benefits	81,043	45,519
Net OPEB Liability	-	-
Total Noncurrent Liabilities	<u>5,428,043</u>	<u>7,644,657</u>
<b>Total Liabilities</b>	<u>5,899,151</u>	<u>9,924,812</u>
<b>NET ASSETS</b>		
Invested in Capital Assets,		
Net of Related Debt	6,777,912	7,829,429
Debt Service	-	46,664
Unrestricted	2,279,120	2,767,167
Total Net Assets	<u>\$ 9,057,032</u>	<u>\$ 10,643,260</u>

Business Type Activities		Governmental Activities	
Nonmajor Enterprise Funds	Total	Internal Service	
\$ 357,591	\$ 3,823,617	\$ 242,539	
31,824	115,338	64,682	
27,273	328,142	-	
-	1,162,859	-	
-	142,319	-	
1,650	26,401	-	
418,338	5,598,676	307,221	
-	1,666,664	-	
-	182,774	-	
290,538	1,308,313	-	
63,421	127,592	-	
3,646,344	31,058,877	-	
4,000,303	34,344,220	-	
4,418,641	39,942,896	307,221	
43,887	101,505	-	
-	31,656	-	
-	40,878	-	
-	28,470	88,975	
17,400	17,400	-	
-	731,000	-	
-	1,830,000	-	
-	31,641	-	
61,287	2,812,550	88,975	
-	11,235,000	-	
-	1,711,138	-	
55,031	55,031	-	
-	126,562	-	
-	-	31,030	
55,031	13,127,731	31,030	
116,318	15,940,281	120,005	
3,945,272	18,552,613	-	
-	46,664	-	
357,051	5,403,338	187,216	
\$ 4,302,323	\$ 24,002,615	\$ 187,216	

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,566,463	\$ 2,322,307
<b>Total Operating Revenue</b>	<u>1,566,463</u>	<u>2,322,307</u>
<b>Operating Expenses:</b>		
Employee Services	533,580	677,920
Contract Services	71,454	254,850
Supplies	170,817	118,089
Repairs and Improvements	56,649	127,811
Utilities	140,453	169,205
Miscellaneous	15,522	8,780
Depreciation	594,627	832,160
Amortization	4,906	7,243
<b>Total Operating Expenses</b>	<u>1,588,008</u>	<u>2,196,058</u>
<b>Operating Income (Loss)</b>	(21,545)	126,249
<b>Non-Operating Income (Expense):</b>		
Interest Income	8,074	9,764
Refunds and Reimbursements	6,442	8,545
Sale of Uncapitalized Assets	-	416
Loss on Disposal of Capital Assets	(48,758)	-
Revenue from Use of Property	49,843	10,646
Interest Expense	(198,915)	(317,769)
<b>Total Non-Operating Income (Expenses)</b>	<u>(183,314)</u>	<u>(288,398)</u>
<b>Income (Loss) Before Transfers and Contributions</b>	(204,859)	(162,149)
<b>Contributed Capital Revenue</b>	236,374	5,280
<b>Transfers In</b>	559,149	865,103
<b>Transfers (Out)</b>	<u>(192,465)</u>	<u>(190,203)</u>
<b>Change in Net Assets</b>	398,199	518,031
<b>Net Assets - Beginning</b>	<u>8,658,833</u>	<u>10,125,229</u>
<b>Net Assets - Ending</b>	<u>\$ 9,057,032</u>	<u>\$ 10,643,260</u>

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 1,063,881	\$ 4,952,651	\$ 585,517
1,063,881	4,952,651	585,517
-	1,211,500	-
711,911	1,038,215	-
84,308	373,214	-
39,894	224,354	-
12,987	322,645	-
2,569	26,871	781,890
175,239	1,602,026	-
-	12,149	-
1,026,908	4,810,974	781,890
36,973	141,677	(196,373)
-	17,838	1,465
727	15,714	123,372
-	416	-
-	(48,758)	-
30,415	90,904	-
-	(516,684)	-
31,142	(440,570)	124,837
68,115	(298,893)	(71,536)
394,961	636,615	-
-	1,424,252	-
(203,782)	(586,450)	-
259,294	1,175,524	(71,536)
4,043,029	22,827,091	258,752
\$ 4,302,323	\$ 24,002,615	\$ 187,216

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,569,367	\$ 2,344,625
Cash Paid to Suppliers for Goods and Services	(405,908)	(668,677)
Cash Paid to Employees for Services	(530,024)	(673,973)
Other Nonoperating Income	56,285	19,191
Net Cash Provided (Used) by Operating Activities	<u>689,720</u>	<u>1,021,166</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(35,776)	(8,407)
Proceeds from the Sale of Assets	250	416
Principal Paid on Notes and Bonds	(363,000)	(550,000)
Interest Paid on Notes and Bonds	(200,137)	(315,463)
Net Cash (Used) for Capital and Related Financing Activities	<u>(598,663)</u>	<u>(873,454)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers From (To) Other Funds	368,946	674,900
Due From (To) Other Funds	(275,214)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>93,732</u>	<u>674,900</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividends on Investments	8,074	9,764
Net Cash Provided from Investing Activities	<u>8,074</u>	<u>9,764</u>
Net Increase (Decrease) in Cash and Cash Equivalents	192,863	832,376
Cash and Cash Equivalents at Beginning of Year	<u>730,433</u>	<u>1,710,354</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 923,296</u></u>	<u><u>\$ 2,542,730</u></u>

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 1,062,683	\$ 4,976,675	\$ 536,744
(792,889)	(1,867,474)	(764,644)
-	(1,203,997)	
31,142	106,618	123,372
300,936	2,011,822	(104,528)
(93,571)	(137,754)	-
-	666	-
-	(913,000)	-
-	(515,600)	-
(93,571)	(1,565,688)	-
(203,782)	840,064	-
-	(275,214)	-
(203,782)	564,850	-
-	17,838	1,465
-	17,838	1,465
3,583	1,028,822	(103,063)
354,008	2,794,795	345,602
\$ 357,591	\$ 3,823,617	\$ 242,539



**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (21,545)	\$ 126,249
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	594,627	832,160
Amortization	4,906	7,243
Miscellaneous Non-Operating Income	56,285	19,191
(Increase) Decrease in Assets:		
Accounts Receivable	1,502	31,261
Estimated Unbilled Usage	1,402	(8,943)
Prepaid Expenses	(105)	(998)
Inventories	42,391	-
Unearned Reveue	-	-
Increase (Decrease) in Liabilities		
Accounts Payable	3,452	11,056
Accrued Wages and Compensated Absences	3,556	3,947
Accrued Expenses	-	-
Capital Lease Payable	-	-
Customer Deposits	3,249	-
Total Adjustments	711,265	894,917
Net Cash Provided (Used) by Operating Activities	689,720	1,021,166

**Supplemental Schedule of Noncash Capital and Related Financing Activities:**

Contributed Capital	\$ 236,374	\$ 5,280
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Nonmajor Enterprise Funds	Total	Governmental Activities
		Internal Service
\$ 36,973	\$ 141,677	\$ (196,373)
175,239	1,602,026	-
-	12,149	-
31,142	106,618	123,372
572	33,335	(48,773)
2,679	(4,862)	-
(19)	(1,122)	-
-	42,391	-
(4,350)	(4,350)	-
3,669	18,177	(709)
-	7,503	-
-	-	17,955
55,031	55,031	-
0	3,249	-
263,963	1,870,145	91,845
300,936	2,011,822	(104,528)
\$ 394,961	\$ 636,615	\$ -

**CITY OF LE MARS, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Agency Funds**  
**JUNE 30, 2010**

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**ASSETS**

Cash and Pooled Investments	\$ 9,700
<b>Total Assets</b>	<b>9,700</b>

**LIABILITIES**

Accounts Payable	9,700
<b>Total Liabilities</b>	<b>9,700</b>

**NET ASSETS**

Unrestricted	-
<b>Total Net Assets</b>	<b>\$ -</b>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission, Plymouth County Joint E911 Service Board, and the Highway 60 Commission.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2010

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent of fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

*Fund Financial Statements* – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund - The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Projects – The Community Betterment Fund is used to account for the projects related to improving the community, using revenues pledged by the community.

The STP FHWA Projects Fund accounts for any STP street projects the City has in progress and any associated grant proceeds and other financing items.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund that is used to account for the City's cafeteria plan.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2010

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
<u>City</u> Nonnegotiable Certificates of Deposit	Cost
<u>Component Unit</u> Certificates of Deposit	Cost
U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price
Iowa Public Agency Investment Trust	Fair Value Determined By Current Share Prices
Debt Securities	
Negotiable Certificates of Deposit	
Maturity of one year or less when purchased	Amortized Cost
Maturity of more than one year when purchased	Fair Value Based on Quoted Market Price

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.



CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2010

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2010, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2010, are shown below:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Fair Value</b>	<b>Rating</b>
Demand Deposits	\$ (138,937)	\$ 4,603,617	\$ 4,464,680	N/A
Savings Deposits	4,768,549	-	4,768,549	N/A
Time Deposits	142,667	5,048,240	5,190,907	N/A
Restricted Investments – SLG Securities	2,083,330	-	2,083,330	N/A
	<u>\$ 6,855,609</u>	<u>\$ 9,651,857</u>	<u>\$16,507,466</u>	

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2010

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**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Custodial Credit Risk – The City has no policy regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2010 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$30,251 and the governmental funds of the primary government had an allowance of \$29,420 at June 30, 2010. The component unit had an allowance for uncollectibles of \$2,974,053 at June 30, 2010.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2010, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 51,143
Due from the Iowa Department of Transportation for construction projects	232,124
Due from the State of Iowa for local option sales taxes	111,996
Due from the State of Iowa for hotel and motel sales taxes	28,767
Due from the State of Iowa	18,103
Due from Plymouth County	8,176
Total Due from Other Governments	<u>\$ 450,309</u>

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2010, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,591,182
General	STP FHWA Projects	354,800
Nonmajor Governmental Fund	General	294,164
Water	Nonmajor Governmental Fund	1,162,859
		<u>\$ 3,403,005</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,047,866	\$ 34,350	\$ -	\$ 182,625	\$ 1,264,841
Construction in Progress	2,003,058	2,366,892	3,042,930	-	1,327,020
Total capital assets not being depreciated	3,050,924	2,401,242	3,042,930	182,625	2,591,861
Capital assets being depreciated:					
Buildings	10,497,570	-	17,000	-	10,480,570
Improvements	4,016,303	138,599	-	-	4,154,902
Equipment	4,689,268	715,378	149,865	3,297	5,258,078
Infrastructure	27,420,102	4,057,026	-	(182,625)	31,294,503
Total capital assets being depreciated	46,623,243	4,911,003	166,865	(179,328)	51,188,053
Less: Accumulated Depreciation for:					
Buildings	4,720,610	421,944	11,050	-	5,131,504
Improvements	2,442,295	139,666	-	-	2,581,961
Equipment	4,046,854	342,248	149,865	1,035	4,240,272
Infrastructure	11,063,723	1,232,517	-	-	12,296,240
Total Accumulated Depreciation	22,273,482	2,136,375	160,915	1,035	24,249,977
Total capital assets being depreciated, net	24,349,761	2,774,628	5,950	(180,363)	26,938,076
Governmental activities capital assets, net	\$ 27,400,685	\$ 5,175,870	\$ 3,048,880	\$ 2,262	\$ 29,529,937

Construction in progress at June 30, 2010, for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 6 - CAPITAL ASSETS – (Continued)**

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,308,313	\$ -	\$ -	\$ -	\$ 1,308,313
Construction in Progress	391,593	111,636	375,637	-	127,592
Total capital assets not being depreciated	1,699,906	111,636	375,637	-	1,435,905
Capital assets being depreciated:					
Buildings	1,549,607	-	-	-	1,549,607
Improvements	1,934,740	928,397	70,012	-	2,793,125
Equipment	714,186	109,976	20,966	-	803,196
Utility Plant	42,433,884	-	-	(3,297)	42,430,587
Total capital assets being depreciated	46,632,417	1,038,373	90,978	(3,297)	47,576,515
Less: Accumulated Depreciation	14,958,615	1,602,026	41,968	(1,035)	16,517,638
Total capital assets being depreciated, net	31,673,802	(563,653)	49,010	(2,262)	31,058,877
Business-type activities capital assets, net	\$ 33,373,708	\$ (452,017)	\$ 424,647	\$ (2,262)	\$32,494,782

Construction in progress at June 30, 2010 consisted of costs associated with water main extensions and storm sewer improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public Safety	\$ 171,381
Public Works	1,493,467
Culture and Recreation	161,636
Community and Economic Development	228,607
General Government	81,284
Total depreciation expense – governmental activities	<u>\$ 2,136,375</u>
<b>Business-Type Activities:</b>	
Water	\$ 594,627
Sewer	832,160
Golf Course	120,411
Storm Sewer	26,665
Solid Waste	28,163
Total depreciation expense – business-type activities	<u>\$ 1,602,026</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Component Unit:</b>					
Capital assets not being depreciated:					
Land	\$ 103,274	\$ -	\$ -	\$ 81,886	\$ 185,160
Construction in Progress	-	189,297	-	(104,072)	85,225
Total capital assets not being depreciated	103,274	189,297	-	(22,186)	270,385
Capital assets being depreciated:					
Land Improvements	724,056	25	-	144,527	868,608
Buildings and Fixed Equipment	14,537,625	89,886	-	3,450,809	18,078,320
Major Movable Equipment	6,325,672	456,458	118,392	29,804	6,693,542
Intangible – Medical Records	-	252,633	-	-	252,633
Land and Buildings Leased to Others	3,602,954	-	-	(3,602,954)	-
Total capital assets being depreciated	25,190,307	799,002	118,392	22,186	25,893,103
Less: Accumulated Depreciation	12,952,105	1,397,052	89,103	-	14,260,054
Total capital assets being depreciated, net	12,238,202	(598,050)	29,289	22,186	11,633,049
Component unit capital assets, net	\$ 12,341,476	\$ (408,753)	\$ 29,289	\$ -	\$ 11,903,434

Construction in progress at June 30, 2010, consisted of renovations to the Hospital.

**Reconciliation of Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 1,264,841	\$ 1,308,313	\$ 185,160
Construction in Progress	1,327,020	127,592	85,225
Capital Assets (net of accumulated depreciation)	26,938,076	31,058,877	11,633,049
Less: General Obligation Bonds Payable	6,781,303	1,921,138	-
Notes Payable	90,000	-	-
Revenue Bonds	545,000	11,966,000	4,778,100
Capital Lease	215,125	55,031	-
Investment in Capital Assets, Net of Related Debt	\$ 21,898,509	\$ 18,552,613	\$ 7,125,334

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

In June 2010 the City issued \$2,095,000 of general obligation bonds which are cross-over advance refunding of the 2002 and 2003 corporate purpose general obligation bonds (for more detail on refunding see note in the refunding section). The interest rate of the bonds will range from 2.75 to 3.125%.

General obligation bonds outstanding (net of unaccrued premiums) as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Governmental Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	\$ 421,815
Governmental Activities-2006 Refunding & Corporate Purpose	3.7-4.35%	June 1, 2021	6,280,000
Governmental Activities	1.9-5.90%	June 1, 2011	480,000
SRF General Obligation Bonds, 2007	3.0%	June 1, 2027	1,387,000
Business-Type Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	1,673,185
Business-Type Activities	1.9-5.60%	June 1, 2011	1,830,000
			<u>\$ 12,072,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 889,000	\$ 337,080	\$ 1,830,000	\$ 140,628
2012	717,000	301,569	264,000	49,615
2013	741,000	272,161	272,000	41,695
2014	768,000	241,764	272,000	33,535
2015	793,000	210,219	284,000	25,375
2016-2020	3,486,815	599,129	581,185	27,357
2021-2025	973,000	94,090	-	-
2026-2027	201,000	9,090	-	-
Total	<u>\$ 8,568,815</u>	<u>\$ 2,065,102</u>	<u>\$ 3,503,185</u>	<u>\$ 318,205</u>



**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - LONG-TERM DEBT (Continued)**

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure improvements related to the Two Rivers Center Project. The bonds will be paid through the collection of TIF revenues over the next 10 years at an interest rate ranging from 4.15 to 4.75%.

The 2004 series sewer revenue bonds, have a total par of \$7,900,000, all of which has been drawn.

The total par of the 2003 series water revenue bonds is \$6,300,000, and all funds available in this series of bonds have now been drawn. As shown below the interest rate on these bonds is 3.0%.

The total par of the 2005 series water revenue bonds is \$600,000. All funds available in this series have been drawn.

Revenue bonds outstanding at June 30, 2010 are as follows:

**Primary Government**

<b>Purpose</b>	<b>Interest Rates</b>	<b>Maturity Date</b>	<b>Amounts</b>
Business-type Activities-Sewer SRF	3.0%	June 1, 2024	\$ 6,248,000
Business-type Activities -Water SRF	3.0-3.53%	June 1, 2020 – June 1, 2025	5,718,000
Governmental Activities-Urban Renewal Tax Increment Bonds	4.15-4.75%	June 1, 2017	545,000
			<u>\$12,511,000</u>

**Revenue Bonds**

Annual revenue bond debt service requirement to maturity are as follows:

<b>Year Ending June 30,</b>	<b><u>Business-Type Activities</u></b>		<b><u>Governmental Activities</u></b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 731,000	\$ 362,755	\$ 65,000	\$ 24,357
2012	754,000	340,507	80,000	21,595
2013	781,000	317,559	85,000	18,155
2014	804,000	293,790	90,000	14,458
2015	833,000	269,320	95,000	10,498
2016-2020	4,580,000	950,160	130,000	7,790
2021-2025	3,483,000	249,450	-	-
Total	<u>\$11,966,000</u>	<u>\$2,783,541</u>	<u>\$ 545,000</u>	<u>\$ 96,853</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 7 - LONG-TERM DEBT (Continued)**

**Advance and Current Refundings**

In May 2002, the City issued \$195,000 in General Obligation Capital Loan Notes with an average interest rate of 4.1% to refund the 1993 General Obligation Capital Loan Notes with an average interest rate of 5.2%. The City refunded the debt to reduce its total debt service payments over the next six years by \$10,008 and to obtain an economic gain of \$9,042

In December 2003, the City issued \$3,015,000 of General Obligation Corporate Purpose and Refunding Notes in a crossover advance refunding of the 1996A General Obligation Corporate Purpose Notes. The 2003 bonds had an average interest rate of 3.15% and the 1996 bonds which were refunded had an average interest rate of 5.74%. As a result of this refunding, the City reduced its debt service payments over the next seven years by \$167,924, and obtained an economic gain of \$145,045.

In June 2006, the City issued \$7,300,000 of GO Corporate Purpose and Refunding Bonds, of which \$665,000 was used in a refunding of the 1998 series GO Corporate Purpose Notes. The 2006 series bonds carry an average interest rate of 4.07% and the 1998 series an average interest rate of 4.77%. This results in an economic gain of \$9,467 and a reduction in debt service payments of \$10,627 over the next five years.

In June 2010, the City issued \$2,095,000 of General Obligation Bonds, which is a crossover advance refunding of the 2002 and 2003 corporate purpose general obligation bonds. These bonds outstanding are a liability of both the governmental funds and the sewer fund, with outstanding balances at June 30, 2010 of \$480,000 and \$1,830,000, respectively. The 2010 bonds carry an average interest rate of 2.94% and the 2002 and 2003 bonds being refunded have an average interest rate of 4.18% and 3.35%. The net proceeds from this issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2010 the amount in escrow was \$2,083,330. This amount will be used to refund the remaining \$1,100,000 and \$930,000 on June 1, 2011 of the 2002 and 2003 issuances when these notes become callable. The assets deposited are shown as a restricted asset in the City's debt service and sewer funds. As a result the City will reduce its debt service payments over the next eight years by \$87,054, and obtain an economic gain of \$81,783.

**Component Unit**

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amounts</b>
Hospital/Component Unit	3.0-5.45%	\$ 1,087,800
Hospital/Component Unit	2.5-5.9%	3,366,300
Hospital/Component Unit	0%	324,000
		<u>\$ 4,778,100</u>

These notes are reported net of unamortized discount of \$90,900.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - LONG-TERM DEBT (Continued)**

Scheduled principal and interest repayments on revenue notes are as follows:

<b>Year Ending June 30,</b>	<b><u>Rural Economic Development Loan</u></b>		<b><u>Revenue Notes Payable</u></b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 72,000	\$ -	\$ 255,000	\$ 238,678
2012	72,000	-	265,000	226,365
2013	72,000	-	285,000	212,928
2014	72,000	-	295,000	198,337
2015	36,000	-	305,000	183,183
2016-2020	-	-	1,805,000	556,953
2021-2023	-	-	1,335,000	208,550
	<u>\$ 324,000</u>	<u>\$ -</u>	<u>\$ 4,545,000</u>	<u>\$ 1,824,994</u>

**Notes Payable**

In August 2005, the City agreed to pay Southern Sioux County Rural Water System \$300,000 in consideration for water service territory rights in areas west and north of Le Mars. These payments will be made annually in installments of \$50,000 beginning in October 2006. There will be no interest paid if payments are made by the applicable due dates.

In May 2008, the City agreed to pay the Iowa Department of Transportation \$80,000 for purchase of property. A down payment of \$1,000 was paid prior to May 1, 2008. A \$19,000 installment was paid on May 1, 2009 and \$20,000 installments were due thereafter. There will be no interest paid if the payments are made by the applicable due date. This note was not previously recorded. A prior period adjustment was made to record the liability.

Notes Payable debt service requirements to maturity are as follows:

<b>Year Ending June 30,</b>	<b><u>Governmental Activities</u></b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 70,000	\$ -
2012	20,000	-
Total	<u>\$ 90,000</u>	<u>\$ -</u>

**Capital Leases**

In fiscal year 2010, the City entered into capital lease agreements for the acquisition of a backhoe, motor grader, and fairway mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - LONG-TERM DEBT (Continued)**

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Asset:		
Equipment	\$ 215,125	\$ 55,031
Less Accumulated Depreciation	43,025	11,006
Total	<u>\$ 172,100</u>	<u>\$ 44,025</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2010.

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 32,410	\$ 8,690	\$ 41,100	\$ -	\$ -	\$ -
2012	33,712	7,387	41,099	9,124	3,296	12,420
2013	35,070	6,029	41,099	9,671	2,750	12,421
2014	36,485	4,615	41,100	10,250	2,171	12,421
2015	37,961	3,139	41,100	10,864	1,557	12,421
2016	\$ 39,487	\$ 1,613	41,100	\$ 15,122	\$ (2,702)	12,420
Minimum Lease Payments			246,598			62,103
Less: Amount Representing Interest			(31,473)			(7,072)
Present Value of Minimum Lease Payments			<u>\$215,125</u>			<u>\$ 55,031</u>

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Notes Payable	\$ 100,000	\$ 60,000	\$ -	\$ 70,000	\$ 90,000	\$ 70,000
Bonds Payable:						
General Obligation	10,459,000	-	421,815	2,312,000	8,568,815	889,000
Unaccreted Bond Premium	-	-	9,588	100	9,488	1,199
Revenue Bonds	600,000	-	-	55,000	545,000	65,000
Other Post Employment Benefits	15,515	-	15,515	-	31,030	-
Capital Lease	-	-	215,125	-	215,125	32,409
Compensated Absences	739,925	-	140,668	147,986	732,607	148,215
Governmental Activity Long-Term Liabilities	<u>11,914,440</u>	<u>60,000</u>	<u>802,711</u>	<u>2,585,086</u>	<u>10,192,065</u>	<u>1,205,823</u>
<b>Business-Type Activities:</b>						
Bonds Payable:						
General Obligation	2,030,000	-	1,673,185	200,000	3,503,185	1,830,000
Unaccreted Bond Premium	-	-	38,352	399	37,953	4,794
Revenue Bonds	12,679,000	-	-	713,000	11,966,000	731,000
Capital Lease	-	-	55,031	-	55,031	-
Compensated Absences	155,823	-	33,545	31,165	158,203	31,641
Business-Type Activity Long-Term Liabilities	<u>\$14,864,823</u>	<u>\$ -</u>	<u>\$ 1,800,113</u>	<u>\$ 944,564</u>	<u>\$15,720,372</u>	<u>\$2,597,435</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - LONG-TERM DEBT (Continued)**

	Beginning Balance	Prior Period Adjustment	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Unit:</b>						
Bonds Payable:						
Revenue Bonds	\$ 4,835,000	\$ -	\$ -	\$ 290,000	\$4,545,000	\$ 255,000
Rural Economic Development Note	360,000	-	-	36,000	324,000	72,000
Less Deferred Amounts:						
Of Bond Discount	96,700	-	-	5,800	90,900	5,800
Total Bonds Payable	<u>\$ 5,098,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,200</u>	<u>\$4,778,100</u>	<u>\$ 321,200</u>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	General	Community Betterment	TIF	Nonmajor Governmental	Sewer	Water	Nonmajor Enterprise	Total Transfer In
General	\$ -	\$ -	\$600,000	\$ 627,500	\$190,203	\$190,203	\$ 98,782	\$1,706,688
Community Betterment	-	-	-	290,267	-	-	-	290,267
Debt Service	-	249,938	442,978	92,933	-	-	-	785,849
TIF	-	-	-	307,837	-	-	-	307,837
STP FHWA Projects	-	-	595,272	247,085	-	-	-	842,357
Nonmajor Governmental	39,000	204,819	914,689	229,828	-	-	105,000	1,493,336
Governmental Fixed Asset Transfer	-	-	-	-	-	2,262	-	2,262
Sewer	-	-	865,103	-	-	-	-	865,103
Water	-	-	559,149	-	-	-	-	559,149
Transfer Out	<u>\$39,000</u>	<u>\$ 454,757</u>	<u>\$3,977,191</u>	<u>\$ 1,795,450</u>	<u>\$190,203</u>	<u>\$192,465</u>	<u>\$ 203,782</u>	<u>\$6,852,848</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2010

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**Note 9- PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll except for, fire employees, in which case, the percentages are 6.14% and 9.95%, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$167,039 \$160,331, and \$152,271, respectively, equal to the required contributions for each year.

**Municipal Fire and Police Retirement System of Iowa** – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104<sup>th</sup> Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's FY 2010 contribution rate cannot be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2010, 2009 and 2008 were \$144,030, \$153,451, and \$200,703, respectively, which met the required minimum contribution for each year.

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

**Plan Description.** The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 55 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Avera Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy.** The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 27,226
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>27,226</u>
Contributions made	<u>(11,711)</u>
Increase in net OPEB obligation	15,515
Net OPEB obligation beginning of year	15,515
Net OPEB obligation end of year	<u>\$ 31,030</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2010, the City contributed \$767,083 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2009 and 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 27,226	43%	\$ 15,515
June 30, 2010	\$ 27,226	43%	\$ 31,030

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$27,226, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$234,941. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,770,000 and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2010, there were no trust fund assets.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% and 0% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$9,999 and \$10,744 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 11- MAJOR CUSTOMER**

During the year ended June 30, 2010, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$973,187 and to Dean's Food's, Inc. was \$407,125. This represents 43% and 18%, respectively, of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$406,277 which represents 27% of total water charges for services.



**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 12- RESERVES**

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Long-Term Notes	Endowments Tree Farm	Perpetual Care	Debt Service	Assets Held for Resale	Prepaid Items	Total
<b>General Fund</b>	\$ 118,000	\$ -	\$ -	\$ -	\$ 205,571	\$ 2,700	\$ 326,271
<b>Special Revenue</b>							
Tree Farm	-	24,980	-	-	-	-	24,980
<b>Capital Projects</b>							
Industrial Park	206,800	-	-	-	-	-	206,800
Joint Urban Renewal	713,577	-	-	-	-	-	713,577
<b>Permanent Fund</b>							
Cemetery Perpetual Care	-	-	140,755	-	-	-	140,755
<b>Debt Service</b>	-	-	-	433,837	-	-	433,837
<b>Total Reserves of Fund Balances</b>	<b>\$1,038,377</b>	<b>\$ 24,980</b>	<b>\$ 140,755</b>	<b>\$ 433,837</b>	<b>\$ 205,571</b>	<b>\$ 2,700</b>	<b>\$1,846,220</b>

**Note 13 - DEFICIT FUND EQUITY**

The City has eleven funds with deficit equity balances at June 30, 2010. The City intends to finance these deficits from various resources including; general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Special Revenue – Road Use Tax .....	\$ 67,446
Special Revenue – Westmar University TIF .....	627,232
Special Revenue – Housing Review Board .....	59
Capital Project – Community Betterment.....	773,279
Capital Project – Industrial Park.....	6,503
Capital Project – 1997 Storm Sewer Drainage Imp .....	453,255
Capital Project – STP FHWA Projects.....	343,415
Capital Project – Business Park .....	34,476
Capital Project – TIF Capital Projects.....	82,109
Capital Project – 2006 Street Construction.....	245,395

**Note 14- RISK MANAGEMENT**

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 14-      RISK MANAGEMENT- (Continued)**

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	<u>2009</u>	<u>2010</u>
Unpaid claims, beginning of fiscal year	\$ 79,303	\$ 86,535
Incurred claims (including IBNR's)	584,129	595,606
Claim payments	(576,897)	(593,166)
Unpaid claims, end of fiscal year	<u>\$ 86,535</u>	<u>\$ 88,975</u>

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 620 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$104,263.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$200,000 per claim. Claims exceeding \$200,000 are reinsured in an amount not to exceed \$2,000,000 per claim and \$7,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$7,000,000, such excess coverage is also reinsured. Automobile and property physical damage risks are retained by the Pool, up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 14-      RISK MANAGEMENT – (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the City's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

**Note 15-      COMMITMENTS**

During the year ended June 30, 2010, the City had entered into several construction contracts totaling approximately \$4,997,142 of which approximately \$4,130,569 has been expended to date. The remaining balance of \$866,573 will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2010, the City has made payments totaling \$1,165,990. Also on September 1, 2009, the City agreed to provide a \$200,000, no interest, unsecured loan, to aid the Le Mars Area Dialysis Organization in construction of their new dialysis facility. At June 30, 2010, no funds had been advanced by the City on this loan.

**Note 16 -      JOINT VENTURE**

The City of Le Mars has joined with Northwest Rural Electric Cooperative and Long Lines, Ltd. to form Le Mars Communications, LLP, which will provide high-tech telecommunications services to commercial and residential customers in the City of Le Mars and the area immediately surrounding Le Mars. Le Mars Communications, LLP will be establishing a telecommunications system that will initially provide telephone, internet, and high-speed data transmission service to customers in the community. The City owns a 33 percent share of the venture. Summary financial information of the joint venture for the year ended December 31, 2009 follows:

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 16 -     JOINT VENTURE (Continued)**

	<b>Total</b>
Assets .....	\$   513,273
Liabilities .....	16,032
Equity .....	497,241
	<u>513,273</u>
Revenues.....	331,134
Expenses .....	360,107
Net Decrease in Equity.....	<u>\$   (28,973)</u>

Separately issued financial statements for Le Mars Communications can be obtained from their offices. The joint venture is recorded on the equity method in the governmental activities.

City's Share of Joint Venture at June 30, 2010:

Assets.....	33%
Equity .....	33%
Liabilities.....	33%

**Note 17 -     CONDUIT DEBT OBLIGATIONS**

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, Industrial Development Revenue Bonds outstanding had an original issue amount of \$1,850,000. The outstanding balance at June 30, 2010 was \$1,850,000.

**Note 18 -     NOTES RECEIVABLE**

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2010 is \$206,800.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 18 -     NOTES RECEIVABLE (Continued)**

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Dairy Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition, the City has incurred \$188,577 of expenditures related to the clean up and restoration of the Crescent Ridge Property. The City will be reimbursed for these costs as funds are available from the sale of the property before the full amounts of the original contributions are repaid to the City and County. A portion of the additional clean up costs were for prior period expenses that were not previously added to the note receivable. A prior period entry is made to record this receivable.

In May 2009, the City loaned the LBIC \$10,000 which was passed along to BoDean's as an economic development loan. The loan is a 5 year 0% loan with the payments of \$2,000 due annually beginning one year from the date of the note.

**Note 19-     PLEDGES RECEIVABLE**

The City received pledges from individuals and businesses to finance several community betterment projects. The pledges are to be paid over a ten-year period. The receivable at June 30, 2010 is recorded net of an allowance for uncollectible amounts of \$71,980 in the government-wide financial statements. In the fund level statements, the receivable, net of allowance for uncollectible amounts of \$29,420, is recorded in the Community Betterment Fund with a deferred revenue for the proceeds to be received after one year.

**Note 20-     PRIOR PERIOD ADJUSTMENTS**

The note payable to the Iowa Department of Transportation was not reflected in the prior financial statements. A prior period adjustment to beginning notes payable in the amount of \$60,000 has been reflected on the Governmental Statement of Net Assets.

Costs incurred in FY 2006 and 2007 by the City for cleanup costs for the Crescent Ridge property owned by the LBIC were not included in the note receivable from the LBIC. A prior period adjustment to beginning notes receivable in the amount of \$36,614 has been reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Joint Urban Renewal Fund Balance, 6/30/09	\$ 833,306
Inclusion of previously expensed items in Crescent Ridge note receivable	36,614
Restated Fund Balance, 6/30/09	<u>\$ 869,920</u>
Governmental Activities, Net Assets, 6/30/09	\$ 19,226,741
Addition of DOT Note Payable	(60,000)
Inclusion of previously expensed items in Crescent Ridge note receivable	36,614
Restated Net Assets, 6/30/09	<u>\$ 19,203,355</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LE MARS, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**  
**Governmental Funds and Proprietary Funds**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Revenue:			
Taxes	\$ 4,120,361	\$ -	\$ -
Tax Increment Financing	4,163,582	-	-
Other Tax	886,626	-	-
Licenses and Permits	117,501	-	-
Use of Money and Property	245,717	86,554	-
Intergovernmental	2,401,141	-	-
Charges for Services	757,100	4,985,904	28,632,754
Miscellaneous	705,720	34,216	238,946
Total Revenue	<u>13,397,748</u>	<u>5,106,674</u>	<u>28,871,700</u>
Expenditures:			
Public Safety	2,141,188	-	-
Public Works	926,024	-	-
Culture and Recreation	1,513,026	-	-
Community and Economic Development	562,377	-	-
General Government	1,026,095	-	-
Capital Projects	5,141,410	-	-
Debt Service	2,800,185	-	-
Business Type Activities	-	4,642,703	28,073,262
Total Expenditures	<u>14,110,305</u>	<u>4,642,703</u>	<u>28,073,262</u>
Excess (deficiency) of revenues over expenditures	(712,557)	463,971	798,438
Other financing sources net:			
Proceeds from Debt Financing	420,185	1,666,664	-
Sale of Assets	78,966	-	5,903
Interfund Transfers In	5,426,334	1,424,252	-
Interfund Transfers Out	(6,266,398)	(584,188)	-
Total other financing sources net	<u>(340,913)</u>	<u>2,506,728</u>	<u>5,903</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,053,470)	2,970,699	804,341
Fund balances - beginning of year	1,013,400	3,682,441	8,847,516
Fund balances - end of year	<u>\$ (40,070)</u>	<u>\$ 6,653,140</u>	<u>\$ 9,651,857</u>

Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
	Original	Final	
\$ 4,120,361	\$ 3,758,202	\$ 3,758,202	\$ (362,159)
4,163,582	3,684,821	3,684,821	(478,761)
886,626	1,270,648	1,275,648	389,022
117,501	79,750	79,750	(37,751)
332,271	221,200	232,971	(99,300)
2,401,141	914,554	2,249,613	(151,528)
34,375,758	32,282,800	39,582,800	5,207,042
978,882	402,628	610,766	(368,116)
<u>47,376,122</u>	<u>42,614,603</u>	<u>51,474,571</u>	<u>4,098,449</u>
2,141,188	2,084,154	2,201,513	60,325
926,024	853,865	965,265	39,241
1,513,026	1,576,680	1,747,178	234,152
562,377	406,336	634,599	72,222
1,026,095	1,075,106	1,120,046	93,951
5,141,410	3,508,432	5,453,432	312,022
2,800,185	1,740,187	2,800,187	2
32,715,965	30,549,887	37,869,087	5,153,122
<u>46,826,270</u>	<u>41,794,647</u>	<u>52,791,307</u>	<u>5,965,037</u>
549,852	819,956	(1,316,736)	1,866,588
2,086,849	-	-	2,086,849
84,869	-	68,000	16,869
6,850,586	7,160,083	7,160,083	(309,497)
<u>(6,850,586)</u>	<u>(7,160,083)</u>	<u>(7,160,083)</u>	<u>309,497</u>
<u>2,171,718</u>	<u>-</u>	<u>68,000</u>	<u>2,103,718</u>
2,721,570	819,956	(1,248,736)	3,970,306
13,543,357	13,543,357	13,543,357	-
<u>\$ 16,264,927</u>	<u>\$ 14,363,313</u>	<u>\$ 12,294,621</u>	<u>\$ 3,970,306</u>



**CITY OF LE MARS, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 13,397,748	\$ (441,680)	\$ 12,956,068
Expenditures	14,110,305	(131,732)	13,978,573
Net	(712,557)	(309,948)	(1,022,505)
Other Financing Sources, net	(340,913)	158,162	(182,751)
Beginning Fund Balance	1,013,400	1,540,361	2,553,761
Prior Period Adjustment	-	-	36,614
Ending Fund Balance	<u>\$ (40,070)</u>	<u>\$ 1,388,575</u>	<u>\$ 1,385,119</u>

	<b>Enterprise Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 5,106,674	\$ (29,151)	\$ 5,077,523
Expenses	4,642,703	733,713	5,376,416
Net	463,971	(762,864)	(298,893)
Other Financing Sources, net	2,506,728	(1,032,311)	1,474,417
Beginning Net Assets	3,682,441	19,144,650	22,827,091
Ending Net Assets	<u>\$ 6,653,140</u>	<u>\$ 17,349,475</u>	<u>\$ 24,002,615</u>

	<b>Component Unit</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 28,871,700	\$ 654,895	\$ 29,526,595
Expenses	28,073,262	867,512	28,940,774
Net	798,438	(212,617)	585,821
Other Financing Sources, net	5,903	(5,903)	-
Beginning Net Assets	8,847,516	9,363,866	18,211,382
Ending Net Assets	<u>\$ 9,651,857</u>	<u>\$ 9,145,346</u>	<u>\$ 18,797,203</u>

**CITY OF LE MARS**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2010**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$10,996,660. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

CITY OF LE MARS, IOWA  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information							
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2010	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF LE MARS, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2010**

	Special Revenue Funds			
	Westmar University TIF	CDBG Home Fund	CDBG Land Fund	Hospital TIF
<b>Assets</b>				
Cash and Pooled Investments	\$ -	\$ 56,682	\$ 76,686	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	479	-	-	-
Subsequent Year Taxes	304,912	-	-	-
Special Assessments	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
<b>Total Assets</b>	<u>305,391</u>	<u>56,682</u>	<u>76,686</u>	<u>-</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	8,087	-	-	-
Due to Other Funds	619,624	-	-	-
Deferred Revenue	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	304,912	-	-	-
<b>Total Liabilities</b>	<u>932,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved for:				
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes	-	-	-	-
Unreserved	(627,232)	56,682	76,686	-
<b>Total Fund Balances (Deficits)</b>	<u>(627,232)</u>	<u>56,682</u>	<u>76,686</u>	<u>-</u>
<b>Total Liabilities and Equity</b>	<u>\$ 305,391</u>	<u>\$ 56,682</u>	<u>\$ 76,686</u>	<u>\$ -</u>

Special Revenue Funds							
Housing Review Board	Police Pension Fund	Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm	
\$ 535	\$ 5,171	\$ 9,531	\$ 44,590	\$ 9,548	\$ 10,230	\$ 24,980	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,961	250	-	-	-	-	-
-	174,803	18,400	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	51,143	111,996	-	-	-
535	181,935	28,181	95,733	121,544	10,230	24,980	
594	-	6,410	163,179	-	-	-	-
-	-	-	-	-	-	-	-
-	45	5	-	-	-	-	-
-	174,803	18,400	-	-	-	-	-
594	174,848	24,815	163,179	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	24,980
-	-	-	-	-	-	-	-
(59)	7,087	3,366	(67,446)	121,544	10,230	-	-
(59)	7,087	3,366	(67,446)	121,544	10,230	24,980	
\$ 535	\$ 181,935	\$ 28,181	\$ 95,733	\$ 121,544	\$ 10,230	\$ 24,980	

(continued)

**CITY OF LE MARS, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2010**

	Capital Project Funds		
	24th St. SE Infrastructure	Industrial Park	Recreation Trail Improvements
<b>Assets</b>			
Cash and Pooled Investments	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Special Assessments	-	-	-
Notes Receivable	-	206,800	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	22,597	-
<b>Total Assets</b>	-	229,397	-
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	-	-	-
Due to Other Funds	-	235,900	-
Deferred Revenue	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
<b>Total Liabilities</b>	-	235,900	-
<b>Fund Balances:</b>			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	206,800	-
Unreserved	-	(213,303)	-
<b>Total Fund Balances</b>	-	(6,503)	-
<b>Total Liabilities and Equity</b>	\$ -	\$ 229,397	\$ -

Capital Project Funds				
Airport Runway Extension	2006 Street Construction	Two Rivers Development	Public Safety Building Improvement	
\$ 17,842	\$ -	\$ -	\$ 87,234	
-	-	-	-	
-	8,288	-	-	
-	-	-	-	
-	-	-	-	
-	167,859	-	-	
-	-	-	-	
294,164	-	-	-	
-	158,307	-	-	
312,006	334,454	-	87,234	
-	242,682	-	-	
-	177,823	-	-	
-	159,344	-	-	
-	-	-	-	
-	579,849	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
312,006	(245,395)	-	87,234	
312,006	(245,395)	-	87,234	
\$ 312,006	\$ 334,454	\$ -	\$ 87,234	

(continued)



**CITY OF LE MARS, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2010**

	Capital Project Funds		
	TIF Capital Projects	Joint Urban Renewal	Business Park
<b>Assets</b>			
Cash and Pooled Investments	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Special Assessments	15,635	-	-
Notes Receivable	-	713,577	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
<b>Total Assets</b>	<b>15,635</b>	<b>713,577</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	84,467	-	-
Due to Other Funds	-	73,614	34,476
Deferred Revenue	13,277	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
<b>Total Liabilities</b>	<b>97,744</b>	<b>73,614</b>	<b>34,476</b>
<b>Fund Balances:</b>			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	713,577	-
Unreserved	(82,109)	(73,614)	(34,476)
<b>Total Fund Balances</b>	<b>(82,109)</b>	<b>639,963</b>	<b>(34,476)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 15,635</b>	<b>\$ 713,577</b>	<b>\$ -</b>

Capital Project Fund	Permanent Fund	Total Governmental Nonmajor Funds
Storm Sewer Drainage Imp.	Cemetery Perpetual Care Fund	
\$ -	\$ 504	\$ 343,533
-	140,251	140,251
-	-	8,288
-	-	2,690
-	-	498,115
93,707	-	277,201
-	-	920,377
-	-	294,164
-	-	344,043
93,707	140,755	2,828,662

3,510	-	508,929
449,745	-	1,591,182
93,707	-	266,378
-	-	498,115
546,962	-	2,864,604

-	140,755	140,755
-	-	24,980
-	-	920,377
(453,255)	-	(1,122,054)
(453,255)	140,755	(35,942)
\$ 93,707	\$ 140,755	\$ 2,828,662

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2010**

	Special Revenue Funds			
	Westmar University TIF	CDBG Home Fund	CDBG Land Fund	Hospital TIF
Revenue:				
Taxes	\$ 289,060	\$ -	\$ -	\$ 307,837
Other City Taxes	-	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	5,073	3,042	5,541	-
Rental Income	-	-	-	-
Interest	-	592	790	-
Miscellaneous	-	-	-	-
Total Revenue	294,133	3,634	6,331	307,837
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	84,433	-	-	-
General Government	-	-	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	84,433	-	-	-
Excess (deficiency) of revenues over expenditures	209,700	3,634	6,331	307,837
Other financing sources (uses):				
Proceeds from Sale of Assets	301	-	-	-
Transfers In	39,000	-	-	-
Transfers Out	(19,000)	-	-	(307,837)
Total other financing sources (uses)	20,301	-	-	(307,837)
Net Change in Fund Balance	230,001	3,634	6,331	-
Fund balances (deficits) -beginning of year	(857,233)	53,048	70,355	-
Prior Period Adjustment	-	-	-	-
Fund balances (deficits)-beginning of year, as restated	(857,233)	53,048	70,355	-
Fund balances (deficits) - end of year	\$ (627,232)	\$ 56,682	\$ 76,686	\$ -

Special Revenue Funds						
Housing Review Board	Police Pension Fund	Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm
\$ -	\$ 145,284	\$ 22,038	\$ -	\$ -	\$ -	\$ -
-	-	-	-	856,683	-	-
-	-	-	845,452	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	500	2,000
-	-	-	-	-	-	-
-	-	-	-	606	10	-
-	-	-	-	-	15,864	-
-	145,284	22,038	845,452	857,289	16,374	2,000
-	144,030	-	-	-	11,424	-
-	-	-	50,557	-	-	-
-	-	-	-	-	-	400
1,512	-	-	-	448,551	-	-
-	-	16,256	-	-	-	-
-	-	-	483,621	-	-	-
-	-	-	-	-	-	-
1,512	144,030	16,256	534,178	448,551	11,424	400
(1,512)	1,254	5,782	311,274	408,738	4,950	1,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(717,085)	(640,658)	-	-
-	-	-	(717,085)	(640,658)	-	-
(1,512)	1,254	5,782	(405,811)	(231,920)	4,950	1,600
1,453	5,833	(2,416)	338,365	353,464	5,280	23,380
-	-	-	-	-	-	-
1,453	5,833	(2,416)	338,365	353,464	5,280	23,380
\$ (59)	\$ 7,087	\$ 3,366	\$ (67,446)	\$ 121,544	\$ 10,230	\$ 24,980

(continued)

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2010**

	<b>Capital Project Funds</b>		
	<b>24th St. SE Infrastructure</b>	<b>Industrial Park</b>	<b>Recreation Trail Improvements</b>
Revenue:			
Taxes	\$ -	\$ -	\$ -
Other City Taxes			
Special Assessments	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	-	35,200	-
Rental Income	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	-	35,200	-
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	-	268,322	44,547
Debt Service	-	-	-
Total Expenditures	-	268,322	44,547
Excess (deficiency) of revenues over expenditures	-	(233,122)	(44,547)
Other financing sources (uses):			
Proceeds from Sale Assets	-	-	-
Transfers In	-	497,094	204,819
Transfers Out	(5,895)	-	-
Total other financing sources (uses)	(5,895)	497,094	204,819
Net Change in Fund Balance	(5,895)	263,972	160,272
Fund balances (deficits) -beginning of year	5,895	(270,475)	(160,272)
Prior Period Adjustment	-	-	-
Fund balances (deficits)-beginning of year, as restated	5,895	(270,475)	(160,272)
Fund balances (deficits) - end of year	\$ -	\$ (6,503)	\$ -

Capital Project Funds			
Airport Runway Extension	2006 Street Construction	Two Rivers Development	Public Safety Building Improvement
\$ -	\$ -	\$ -	\$ -
-	8,515	-	-
28,900	158,307	-	-
-	-	-	-
-	-	-	-
-	12,046	-	-
-	-	-	-
-	-	-	-
-	-	-	-
28,900	178,868	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
30,458	697,311	-	35,491
-	-	-	-
30,458	697,311	-	35,491
(1,558)	(518,443)	-	(35,491)
-	-	-	-
-	110,870	-	118,958
-	-	(104,975)	-
-	110,870	(104,975)	118,958
(1,558)	(407,573)	(104,975)	83,467
313,564	162,178	104,975	3,767
-	-	-	-
313,564	162,178	104,975	3,767
\$ 312,006	\$ (245,395)	\$ -	\$ 87,234

(continued)

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2010**

	Capital Project Funds		
	TIF Capital Projects	Joint Urban Renewal	Business Park
Revenue:			
Taxes	\$ -	\$ -	\$ -
Other City Taxes			
Special Assessments	42,239	-	-
Intergovernmental Revenue	-	20,206	-
Charges for Services	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	324	262	-
Rental Income	2,880	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	45,443	20,468	-
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	499,573	200,425	31,976
Debt Service	20,000	50,000	-
Total Expenditures	519,573	250,425	31,976
Excess (deficiency) of revenues over expenditures	(474,130)	(229,957)	(31,976)
Other financing sources (uses):			
Proceeds from Sale Assets	-	-	-
Transfers In	417,595	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	417,595	-	-
Net Change in Fund Balance	(56,535)	(229,957)	(31,976)
Fund balances (deficits) -beginning of year	(25,574)	833,306	(2,500)
Prior Period Adjustment	-	36,614	-
Fund balances (deficits)-beginning of year, as restated	(25,574)	869,920	(2,500)
Fund balances (deficits) - end of year	\$ (82,109)	\$ 639,963	\$ (34,476)

Capital Project Fund	Permanent Fund	Total Governmental Nonmajor Funds
Storm Sewer Drainage Imp.	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ 764,219
-	-	856,683
-	-	50,754
-	-	1,052,865
-	1,848	1,848
-	-	2,500
1,500	-	62,988
-	-	2,880
-	-	1,998
-	-	15,864
1,500	1,848	2,812,599
-	-	155,454
-	-	50,557
-	-	400
-	-	534,496
-	-	16,256
94,607	-	2,386,331
-	-	70,000
94,607	-	3,213,494
(93,107)	1,848	(400,895)
-	-	301
105,000	-	1,493,336
-	-	(1,795,450)
105,000	-	(301,813)
11,893	1,848	(702,708)
(465,148)	138,907	630,152
-	-	36,614
(465,148)	138,907	666,766
\$ (453,255)	\$ 140,755	\$ (35,942)



CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF NET ASSETS  
Enterprise Nonmajor Funds  
JUNE 30, 2010

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 57,817	\$ 297,722	\$ 2,052	\$ 357,591
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	27,277	4,547	31,824
Estimated Unbilled Usage	-	22,847	4,426	27,273
Prepaid Assets	1,650	-	-	1,650
Total Current Assets	59,467	347,846	11,025	418,338
Noncurrent Assets:				
Land	290,538	-	-	290,538
Construction in Progress	-	-	63,421	63,421
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,759,938	122,028	764,378	3,646,344
Total Noncurrent Assets	3,050,476	122,028	827,799	4,000,303
<b>Total Assets</b>	3,109,943	469,874	838,824	4,418,641
<b>LIABILITIES</b>				
Accounts Payable	19,989	23,842	56	43,887
Unearned Revenue	17,400	-	-	17,400
Total Current Liabilities	37,389	23,842	56	61,287
Noncurrent Liabilities:	-	-	-	-
Due in more than one year:				
Capital Lease	55,031	-	-	55,031
Total Noncurrent Liabilities	55,031	-	-	55,031
<b>Total Liabilities</b>	92,420	23,842	56	116,318
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	2,995,445	122,028	827,799	3,945,272
Restricted for:				
Unrestricted	22,078	324,004	10,969	357,051
<b>Total Net Assets</b>	\$ 3,017,523	\$ 446,032	\$ 838,768	\$ 4,302,323

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Enterprise Nonmajor Funds**  
**For the Year Ended June 30, 2010**

	<b>Business Type Activities</b>			
	<b>Golf Couse</b>	<b>Solid Waste</b>	<b>Storm Sewer</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for Services	\$ 345,522	\$ 622,574	\$ 95,785	\$ 1,063,881
<b>Total Operating Revenue</b>	<b>345,522</b>	<b>622,574</b>	<b>95,785</b>	<b>1,063,881</b>
<b>Operating Expenses:</b>				
Contract Services	197,809	514,102	-	711,911
Supplies	84,308	-	-	84,308
Repairs and Improvements	34,781	5,113	-	39,894
Utilities	12,987	-	-	12,987
Miscellaneous	2,569	-	-	2,569
Depreciation	120,411	28,163	26,665	175,239
<b>Total Operating Expenses</b>	<b>452,865</b>	<b>547,378</b>	<b>26,665</b>	<b>1,026,908</b>
<b>Operating Income (Loss)</b>	<b>(107,343)</b>	<b>75,196</b>	<b>69,120</b>	<b>36,973</b>
<b>Non-Operating Income:</b>				
Refunds and Reimbursements	-	727	-	727
Revenue from Use of Property	30,415	-	-	30,415
<b>Total Non-Operating Income</b>	<b>30,415</b>	<b>727</b>	<b>-</b>	<b>31,142</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(76,928)</b>	<b>75,923</b>	<b>69,120</b>	<b>68,115</b>
<b>Contributed Capital</b>	<b>16,489</b>	<b>-</b>	<b>378,472</b>	<b>394,961</b>
<b>Transfers (Out)</b>	<b>(28,782)</b>	<b>(70,000)</b>	<b>(105,000)</b>	<b>(203,782)</b>
<b>Change in Net Assets</b>	<b>(89,221)</b>	<b>5,923</b>	<b>342,592</b>	<b>259,294</b>
<b>Net Assets - Beginning</b>	<b>3,106,744</b>	<b>440,109</b>	<b>496,176</b>	<b>4,043,029</b>
<b>Net Assets - Ending</b>	<b>\$ 3,017,523</b>	<b>\$ 446,032</b>	<b>\$ 838,768</b>	<b>\$ 4,302,323</b>

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Enterprise Nonmajor Funds**  
**For the Year Ended June 30, 2010**

	<b>Business Type Activities</b>			
	<b>Golf Course</b>	<b>Solid Waste</b>	<b>Storm Sewer</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 342,058	\$ 624,850	\$ 95,775	\$ 1,062,683
Cash Paid to Suppliers for Goods and Services	(274,610)	(518,279)	-	(792,889)
Other Nonoperating Income	30,415	727	-	31,142
Net Cash Provided by Operating Activities	97,863	107,298	95,775	300,936
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(80,721)	(12,850)	-	(93,571)
Net Cash (Used) for Capital and Related Financing Activities	(80,721)	(12,850)	-	(93,571)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers (To) Other Funds	(28,782)	(70,000)	(105,000)	(203,782)
Net Cash (Used) for Non-Capital Financing Activities	(28,782)	(70,000)	(105,000)	(203,782)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,640)	24,448	(9,225)	3,583
Cash and Cash Equivalents at Beginning of Year	69,457	273,274	11,277	354,008
Cash and Cash Equivalents at End of Year	\$ 57,817	\$ 297,722	\$ 2,052	\$ 357,591
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Net Operating Income (Loss)	\$ (107,343)	\$ 75,196	\$ 69,120	\$ 36,973
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	120,411	28,163	26,665	175,239
Miscellaneous Non-Operating Income	30,415	727	-	31,142
(Increase) Decrease in Assets:				
Accounts Receivable	886	(12)	(302)	572
Estimated Unbilled Usage	-	2,288	391	2,679
Prepaid Expenses	(19)	-	-	(19)
Deferred Revenue	(4,350)	-	-	(4,350)
Increase (Decrease) in Liabilities:				
Accounts Payable	2,832	936	(99)	3,669
Capital Lease Payable	55,031	-	-	55,031
Total Adjustments	205,206	32,102	26,665	263,963
Net Cash Provided by Operating Activities	\$ 97,863	\$ 107,298	\$ 95,775	\$ 300,936

CITY OF LE MARS, IOWA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Agency Fund  
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,591	\$ 42,982	\$ 42,873	\$ 9,700
Total Assets	9,591	42,982	42,873	9,700
<u>Liabilities</u>				
Accounts Payable	9,591	42,982	42,873	9,700
Total Liabilities	\$ 9,591	\$ 42,982	\$ 42,873	\$ 9,700

## CITY OF LE MARS, IOWA

TABLE I

## Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	ESTIMATED ACTUAL VALUE	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS DAIRY, INC.	COMMERICAL DAIRY	\$50,201,098	7.48%
MID AMERICAN ENERGY	UTILITY COMPANY	26,746,946	3.99%
WD 2005 SPE LLC (WELLS CORPORATE)	CORPORATE HEADQUARTERS	24,551,370	3.66%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	14,697,394	2.19%
BODEANS BAKING COMPANY	COMMERCIAL BAKERY	8,399,400	1.25%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	7,370,260	1.10%
LE MARS PUBLIC STORAGE	COMMERCIAL STORAGE	4,593,970	0.68%
STEVE SCHUSTER	COMMERCIAL TRUCKING	4,587,958	0.68%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	4,499,390	0.67%
ILP ONE MASTER, LLC (BEKINS)	COLD STORAGE FACILITY	4,390,200	0.65%
	TOTAL	\$150,037,986	22.36%
	ALL OTHERS	521,063,663	77.64%
		<u>\$ 671,101,649</u>	<u>100.00%</u>

TABLE II

## Computation of Legal Debt Margin

June 30, 2010

2009-10 ACTUAL VALUATION:	\$657,186,048	
LESS: MILITARY EXEMPTION	(909,332)	
	<u>\$656,276,716</u>	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$32,813,836
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	10,042,000	
URBAN RENEWAL REVENUE DEBT	545,000	
* OTHER DEBT	<u>12,601,000</u>	
	23,188,000	
LESS:		
* REVENUE BONDS/NOTES	<u>12,601,000</u>	
	10,587,000	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>433,837</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>10,153,163</u>
LEGAL DEBT MARGIN		<u>\$22,660,673</u>

\*Includes Floyd Valley Hospital (Discrete Component Unit).

**CITY OF LE MARS, IOWA**  
**TABLE III**  
**Miscellaneous Statistics**  
**June 30, 2010**

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor - Council
Population	9237
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by Council
Number of Employees:	
Regular Full Time	54
Regular Part Time	6
Fire	23
Ambulance	19
Area in Square Miles	8.54
Miles of Streets	70
Percent of Streets Paved	99%
Number of Street Lights	77
Building Permits 2009-2010	113
Total Buidling Permits Less	
Demoloition and Moving	3
New Single and Multi-Family Dwellings	12
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	613
Number of Customers	4150
Storage Capacity (Gallons)	2,500,000
Average Daily Consumption (Gallons)	2,750,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	75
Sewer System:	
Miles of Sanitary Sewer	52
Miles of Storm Sewer	11
Number of Sanitaary Sewer Customers	3,940
Average Daily Sewer Usage (Gallons)	2,137,000
Peak Load (Gallons)	4,256,000
Design Flow	28,000 lbs per day
Number of Lift Stations	8
Number of Treatment Plants	1
Culture and Recreation:	
Number of Parks	14
Number of Libraries	1
Number of Volumes	35,403
Golf Courses (27 Holes)	1
Swimming Pools	2
Tennis Courts	7
Campgrounds	1
Softball / Baseball Fields	11
Theatre	1
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

## SUPPLEMENTARY INFORMATION

**CITY OF LE MARS, IOWA**  
**Schedule of Expenditures of Federal Awards (Cash Basis)**  
**Year Ended June 30, 2010**

	CFDA Number	Project/Contract Number	Federal Expenditures
<b>Direct:</b>			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	AIP #3-19-0127-06	\$ 2,728
Airport Improvement Program	20.106	AIP #3-19-0127-07	9,172
Total Direct			<u>11,900</u>
<b>Indirect:</b>			
DEPARTMENT OF TRANSPORTATION:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-4257(618)	114,397
Highway Planning and Construction	20.205	STP-U-4257(622)	400,000
Highway Planning and Construction	20.205	STP-U-4257(615)	102,844
Highway Planning and Construction	20.205	STP-U-4257(623)	<u>360,000</u>
			977,241
State Fiscal Stabilization Fund - Government Services, Recovery Act - ARRA	84.397	I-JOBS	<u>11,030</u>
			<u>988,271</u>
Governor's Traffic Safety Bureau, Iowa Department of Public Safety:			
Alcohol Incentive Grant	20.601	PAP 09-410, Task 44	2,589
Alcohol Incentive Grant	20.601	PAP 10-410, Task 44	<u>6,093</u>
			<u>8,682</u>
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>26,862</u>
Iowa Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804		31,459
Safety Incentive Grants - Bullet Proof Vests	16.607		<u>4,900</u>
			<u>36,359</u>
Total Indirect			<u>1,060,174</u>
Total Expenditures of Federal Awards			<u>\$ 1,072,074</u>

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Le Mars, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**CITY OF LE MARS, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA #20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Le Mars did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Significant Deficiencies:**

**II-A-10 Financial Reporting**

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables and capital assets.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**Instances of Non-Compliance:**

No matters were reported.

**Significant Deficiencies:**

No matters were reported.

**CITY OF LE MARS, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-10 - Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-10 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

<b><u>Name, Title and Business Connection</u></b>	<b><u>Transaction/Description</u></b>	<b><u>Amount</u></b>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$960	(1)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$3,967.44	(3)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$1,859.30	(3)
Professional Surveying Services, Dave Wilberding, Owner, Planning & Zoning Board Member	Surveying	\$156,647.94	(4)
Ludwig, Bruce, Le Mars Broadband Telecomm. Mbr	Maintenance Contract	\$1,200.00	(1)
Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Vehicle Repair	\$3,695.48	(3)
R&R Enterprises Employee, Dale Reichle	Grave work	\$17,960	(3)

(1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(10) of the code of Iowa.

(2) Per Chapter 362.5 of the Code of Iowa this transaction does not represent a conflict of interest.

(3) This transaction may represent a conflict of interest and the City should contact legal council for determination.

(4) These transactions may represent a conflict of interest and the City should contact legal council for determination. Per City management it was noted that the City did utilize several other local and regional firms for surveying services.

IV-E-10 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-10 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-10 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA as of and for the year ended June 30, 2010, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated January 7, 2011. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit) which statements reflect total assets of \$27,151,982 and operating revenues of \$29,325,898 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, was based solely on the report of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting:***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 7, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and Members of the  
City Council  
Le Mars, Iowa

**Compliance**

We have audited the compliance of the City of Le Mars, Iowa (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2010. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 7, 2011